

OFFICE OF LEGISLATIVE RESEARCH  
PUBLIC ACT SUMMARY



**PA 18-147—sSB 266**

*Commerce Committee*

*Finance, Revenue and Bonding Committee*

**AN ACT CONCERNING INCENTIVES TO ENCOURAGE THE  
GROWTH OF BIOSCIENCE VENTURE CAPITAL IN CONNECTICUT**

**SUMMARY:** This act creates a personal income tax deduction for the income generated by investments in eligible Connecticut-based bioscience businesses, available only to the general partners of a qualified venture capital fund. The deduction equals a partner's share of the investment and management income generated by the fund's eligible investments. The revenue services commissioner must adopt implementing regulations.

**EFFECTIVE DATE:** July 1, 2018, and applicable to taxable years beginning on or after January 1, 2018.

**ELIGIBILITY**

*Funds*

The act's income tax deduction is available only to the general partners of a fund that was established on or after January 1, 2018, and that qualifies as a venture capital fund under federal regulations (17 C.F.R. § 275.203(l)-(1)).

*General Partners*

A general partner qualifies for the deduction depending on how the fund is organized. Under the act, "general partners" are (1) partners of a general partnership; (2) general partners of a limited partnership treated as a partnership for federal tax purposes; or (3) partners of a limited liability partnership. A general partner also includes a member of a limited liability company that is treated as a partnership for federal tax purposes, if (1) the company is managed by managers and the member is a member-manager or (2) the company is not managed by managers.

*Investments*

The deduction applies to income generated by investments only in a "Connecticut bioscience business" whose principal place of business is located in Connecticut and that:

1. manufactures pharmaceuticals, medicines, medical equipment, medical devices, and analytical laboratory instruments;
2. operates medical or diagnostic testing laboratories; or
3. conducts pure research and development in the life sciences.

## OLR PUBLIC ACT SUMMARY

### DEDUCTION

The amount a general partner may deduct equals the income he or she receives:

1. from the sale, transfer, exchange, or other disposition of the fund's equity interests in an eligible Connecticut bioscience business obtained from investments made by the fund on or after January 1, 2018, and
2. for managing the fund (excluding the abovementioned income), multiplied by the fund's "bioscience investment ratio" on the last day of the taxable year.

Under the act, the "bioscience investment ratio" is the total amount of money invested by the fund in Connecticut bioscience businesses divided by the total amount of capital raised by the fund.